

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 97
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2013

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Awerkamp, Goodnight, Schwaller & Nelson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
17007 Marcy Street - Suite One
Omaha, Nebraska 68118-3122

THOMAS J. SCHWALLER, CPA
CONRAD NELSON, CPA
JOHN R. PRIBRAMSKY, CPA
DANIEL R. GILG, CPA, CFP

Telephone: (402) 334-9011
(402) 334-9111
FAX: (402) 334-9112

ALDEN B. AWERKAMP

J. DOUGLAS GOODNIGHT
(1936 - 2006)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sanitary and Improvement District No 97
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Sanitary and Improvement District No. 97 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 97 of Sarpy County, Nebraska as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require budgetary comparison on page 21 to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 97 of Sarpy County, Nebraska's basic financial statements. The other supplementary information on page 22 and 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of the Sanitary and Improvement District No. 97 of Sarpy County, Nebraska internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No.97 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Averkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
December 5, 2013

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		
	Government Activities	Business-Type Activities	Total
ASSETS:			
Cash on deposit	\$ 214,105	\$ 85,144	\$ 299,249
Taxes receivable (notes B and H)	130,853	-	130,853
Accounts receivable	-	4,892	4,892
Intra-fund receivable	82,946	(82,946)	-
Bond issue costs, net of accumulated amortization of \$6,778	60,209	-	60,209
Capital assets (note D):			
Equipment	-	80,424	80,424
Infrastructure	3,938,913	-	3,938,913
Accumulated depreciation	<u>(2,567,028)</u>	<u>(48,287)</u>	<u>(2,615,315)</u>
Total assets	<u>1,859,998</u>	<u>39,227</u>	<u>1,899,225</u>
LIABILITIES:			
Accounts payable	88,443	1,064	89,507
Warrants issued not registered	3,091	7,286	10,377
Accrued interest on warrants	663	-	663
Accrued interest on bonds	8,972	-	8,972
Noncurrent liabilities (notes E and F):			
Due within one year	55,000	-	55,000
Due in more than one year	<u>1,023,854</u>	<u>-</u>	<u>1,023,854</u>
Total liabilities	<u>1,180,023</u>	<u>8,350</u>	<u>1,188,373</u>
COMMITMENTS AND CONTINGENCIES (notes G and I)			
	-	-	-
NET POSITION:			
Invested in capital assets, net of related debt	353,240	32,137	385,377
Restricted for debt service	44,825	-	44,825
Unrestricted	<u>281,910</u>	<u>(1,260)</u>	<u>280,650</u>
Total net position	<u>\$ 679,975</u>	<u>\$ 30,877</u>	<u>\$ 710,852</u>

The accompanying notes are an integral part of these statements.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>	<u>Business-Type Activities</u>
Governmental activities:				
General	\$ 68,853	\$ -	\$ (68,853)	\$ -
Debt service	8,194	-	(8,194)	-
Depreciation	89,733	-	(89,733)	-
Interest on long-term debt	<u>25,319</u>	<u>-</u>	<u>(25,319)</u>	<u>-</u>
Total governmental activities	<u>192,099</u>	<u>-</u>	<u>(192,099)</u>	<u>-</u>
Business-type activities:				
Water	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,012</u>
Total business-type activities	<u>\$192,099</u>	<u>\$ -</u>	<u>(192,099)</u>	<u>18,012</u>
General revenues:				
Property taxes			282,837	-
Interest on taxes			99	-
State motor vehicle tax allocation			548	-
Homestead exemption			4,350	-
Interest on investments			42	-
Other income			<u>17,307</u>	<u>-</u>
Total general revenues			<u>305,183</u>	<u>-</u>
Change in net position			113,084	18,012
Net position at beginning of year			<u>566,891</u>	<u>12,865</u>
Net position at end of year			<u>\$ 679,975</u>	<u>\$30,877</u>

The accompanying notes are an integral part of these statements.

Total

\$ (68,853)
 (8,194)
 (89,733)
 (25,319)

(192,099)

18,012

(174,087)

282,837
 99

 548
 4,350
 42

17,307

305,183

131,096

579,756

\$ 710,852

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit			
- County Treasurer	\$150,408	\$ 63,697	\$214,105
Taxes receivable (notes B and H)	95,623	35,230	130,853
Due from other fund	82,946	19,237	102,183
Total assets	\$328,977	\$118,164	\$447,141

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 24,739	\$ 63,704	\$ 88,443
Warrants issued not registered	3,091	-	3,091
Accrued interest on registered warrants	-	663	663
Due to other fund	19,237	-	19,237
Total liabilities	47,067	64,367	111,434
COMMITMENTS AND CONTINGENCIES			
(notes G and I)	-	-	-
Fund balance:			
Restricted for debt service	-	53,797	53,797
Unassigned	281,910	-	281,910
Total fund balance	281,910	53,797	335,707
Total liabilities and fund balance	\$328,977	\$118,164	\$447,141

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balance - total governmental funds		\$ 335,707
Amounts reported for governmental activities in the Statement of Net position are different because:		
- Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		1,371,885
- Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(8,972)
- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. Includes Internal Service Funds' non-current liabilities:		
	Due within one year	\$ (55,000)
	Due in more than one year	<u>(1,023,854)</u>
		(1,078,854)
- Bond issue costs are not current financial resources and therefore are not reported in the governmental funds balance sheet.		<u>60,209</u>
Net Position of Governmental Activities		<u>\$ 679,975</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes assessed (note B)	\$204,474	\$ 78,363	\$ 282,837
Interest on taxes	72	27	99
State motor vehicle tax allocation	400	148	548
Homestead exemption	3,179	1,171	4,350
Interest on investments	-	42	42
Other income	17,307	-	17,307
	<u>225,432</u>	<u>79,751</u>	<u>305,183</u>
EXPENDITURES:			
Accounting	22,535	-	22,535
Collection fees - County Treasurer	4,098	1,510	5,608
Electric service	19,990	-	19,990
Engineering fees	5,459	-	5,459
Interest on registered warrants	319	662	981
Maintenance and repairs	4,521	-	4,521
Financial advisor fees	1,025	-	1,025
Registered agent fees	729	1,900	2,629
Trustee bond and insurance	10,496	-	10,496
Bond interest	-	24,585	24,585
	<u>69,172</u>	<u>28,657</u>	<u>97,829</u>
EXCESS OF REVENUES OVER EXPENDITURES	156,260	51,094	207,354
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	-	233,854	233,854
Payment of long-term debt	-	(55,000)	(55,000)
Construction costs	-	(303,991)	(303,991)
	<u>-</u>	<u>(303,991)</u>	<u>(303,991)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	156,260	(74,043)	82,217
FUND BALANCE, BEGINNING OF YEAR	<u>125,650</u>	<u>127,840</u>	<u>253,490</u>
FUND BALANCE, END OF YEAR	<u>\$281,910</u>	<u>\$ 53,797</u>	<u>\$ 335,707</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Net change in fund balance - total governmental funds \$ 82,217

Amounts reported for governmental activities in the
statement of activities are different because:

- Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount of capital assets recorded in the current period. 303,991
- Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. (89,733)
- The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (178,854)
- Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds. 248
- Amortization of bond issue costs is recorded in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, amortization of bond issue costs is not reported as an expenditure in the governmental funds. (4,785)

Change in Net Position of Governmental Activities \$ 113,084

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2013

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
ASSETS:	
Current assets:	
Cash	\$ 85,144
Accounts receivable	<u>4,892</u>
Total current assets	<u>90,036</u>
Noncurrent assets:	
Capital assets	
Equipment	80,424
Less: Accumulated depreciation	<u>(48,287)</u>
Total noncurrent assets	<u>32,137</u>
Total assets	<u>\$122,173</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 1,064
Warrants issued not registered	<u>7,286</u>
Total current liabilities	<u>8,350</u>
Noncurrent liabilities:	
Due to general fund	<u>82,946</u>
Total noncurrent liabilities	<u>82,946</u>
Total liabilities	<u>91,296</u>
NET POSITION:	
Invested in capital assets	32,137
Unassigned	<u>(1,260)</u>
Total net position	<u>\$ 30,877</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

COMBINED STATEMENT OF REVENUES, EXPENSE AND CHANGES IN
FUND ASSETS - PROPRIETARY FUND

For the year ended June 30, 2013

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
OPERATING REVENUES:	
Water use fees	<u>\$115,417</u>
OPERATING EXPENSES:	
Accounting and billing	8,381
Bank service charges	721
Postage	762
Office expense	63
Sales tax	5,820
Depreciation	6,781
Water and sewer expense	36,588
Maintenance - Well House	6,522
Maintenance - Waste Water	<u>31,767</u>
	<u>97,405</u>
NET INCOME	18,012
Net position, beginning of year	<u>12,865</u>
Net position, end of year	<u>\$ 30,877</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2013

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$122,029
Cash payments to suppliers	<u>102,552</u>
Cash flows provided by operating activities	19,477
Cash flows used in investing activities:	
Purchase of equipment	<u>(2,700)</u>
Net change in cash	16,777
Cash at beginning of year	<u>68,367</u>
Cash at end of year	<u>\$ 85,144</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 18,012
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,781
Decrease in receivables	6,612
Decrease in accounts payable	(3,634)
Decrease in warrants issued not registered	<u>(8,294)</u>
Net cash provided by operating activities	<u>\$ 19,477</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 97 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to generally accepted accounting principles, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

Reporting Entity

Sanitary and Improvement District No. 97 of Sarpy County, Nebraska is a governmental subdivision authorized under the statutes of the State of Nebraska. The Board of Trustees has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary governmental unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Basis of Presentation

For the fiscal year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position. GASB Statement No. 63 establishes accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and net position together with related disclosures. At June 30, 2013, the District did not have any deferred outflows of resources or deferred inflows of resources, as defined by GASB Statement No. 63. However, see Note K for a description of the District's net position, as required by GASB Statement No. 63.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The fund balance of the General Fund is unassigned and is expended first for all expenditures except debt service payments and capital expenditures from the Debt Service Fund.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Continued

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Proprietary Fund Types

Proprietary funds are those which are used to account for activities conducted on a fee for service basis in a manner similar to commercial enterprises. The District's proprietary fund is the Enterprise fund which maintains and operates a water system providing service to the public.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting - Continued

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Investments

Investments are carried at cost, which approximates market, and any premium or discount on investments are amortized on the straight-line method from date of purchase to date of maturity. These deposits were covered with sufficient assets pledged to the Sarpy County by the financial institutions at June 30, 2013.

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation is provided using the straight-line method over estimated lives ranging from 7 to 40 years.

The equipment recorded in the enterprise fund is carried at cost. Depreciation is provided using the straight-line method over estimated useful life ranging from 5 to 40 years.

Bond Issue Costs

Bond issue costs are being amortized on the straight-line method over the life of the bond issue.

Budget and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) In August of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

- (d) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2013.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General and Debt Service Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2013 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Service Fee Fund</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$146,696	\$(11,260)	\$16,777
Adjustments:			
To adjust revenues for receivables	(7,317)	333	(6,612)
To adjust expenditures for payables and accruals	1,837	588	5,147
To adjust for variance in recognition of items for other financing sources (uses)	<u>15,044</u>	<u>(63,704)</u>	<u>2,700</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$152,260</u>	<u>\$(74,043)</u>	<u>\$18,012</u>

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

SANITARY AND IMPROVEMENT DISTRICT NO. 97
SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE B - PROPERTY TAXES

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

The District levied taxes for 2012-2013 at the rate of \$0.520003 per \$100 on property valuation of \$57,159,748.

NOTE C - INVESTMENTS

Custodial Credit Risk

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 1990, and generally include U.S. government obligations, certificates of deposit and time deposits. During the year ended June 30, 2013, the District invested in U.S. treasury bills.

All investment activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills are bought and held in safekeeping by the County Treasurer in the district's name.

Interest Rate Risk

The District invests in U.S. Treasury bills with maturity of less than one year to limit its exposure to fair-value losses arising from rising interest rates. These securities are classified as Level 1 in the fair value of hierarchy as indicated in ASC 820-10.

The District had no investments at June 30, 2013.

SANITARY AND IMPROVEMENT DISTRICT NO. 97
SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2013</u>
Paving and storm sewers	\$ 1,144,483	\$ -	\$ 1,144,483
Sanitary sewer	654,412	-	654,412
Water system	457,618	-	457,618
Flood control	118,235	-	118,235
Sediment basin and water treatment facility	1,248,646	-	1,248,646
Construction in progress	-	303,991	303,991
Miscellaneous equipment	<u>11,528</u>	<u>-</u>	<u>11,528</u>
	3,634,922	303,991	3,938,913
Less accumulated depreciation	<u>(2,477,295)</u>	<u>(89,733)</u>	<u>(2,567,028)</u>
	<u>\$ 1,157,627</u>	<u>\$214,258</u>	<u>\$ 1,371,885</u>

Depreciation expense for the year ended June 30, 2013 was \$89,733.

A summary of proprietary fund type capital assets is as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2013</u>
Equipment	\$ 77,724	\$ 2,700	\$ 80,424
Less accumulated depreciation	<u>(41,506)</u>	<u>(6,781)</u>	<u>(48,287)</u>
	<u>\$ 36,218</u>	<u>\$(4,081)</u>	<u>\$ 32,137</u>

Depreciation expense for the year ended June 30, 2013 was \$6,781.

NOTE E - REGISTERED WARRANTS OUTSTANDING

Debt service fund warrants issued for construction are due five years from the date of issuance. Warrants registered with Sarpy County bear interest at 7% per annum. Interest accrues on the warrants from the date of registration to the date they are called for payment.

Aggregate maturities of registered warrants are as follows:

	<u>Debt</u> <u>Service</u> <u>Fund</u>
2014	\$ -
2015	-
2016	-
2017	-
2018	<u>233,854</u>
	<u>\$233,854</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 97
SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE F - GENERAL OBLIGATION BONDS PAYABLE

On February 15, 2012, the District issued \$900,000 in general obligation and refunding bonds to refund \$700,000 in general obligation bonds and redeem \$142,985 of construction fund warrants plus accrued interest. The bonds bear interest at 1.20% to 3.90% payable semiannually on February 15 and August 15. The bonds mature serially through 2026. Bonds maturing on or after February 15, 2018 are subject to redemption in whole or in part, any time after February 15, 2017 at par and accrued interest, to the date set for redemption, with no redemption premium.

A summary of changes in bonds payable is as follows:

Balance July 1, 2012	\$900,000
Bond payment	<u>(55,000)</u>
Balance June 30, 2013	<u>\$845,000</u>

Aggregate maturities of bond principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 55,000	\$ 23,925	\$ 78,925
2015	55,000	23,183	78,183
2016	60,000	22,275	82,275
2017	60,000	21,135	81,135
2018	60,000	19,935	79,935
2019 - 2023	325,000	74,903	399,903
2024 - 2026	<u>230,000</u>	<u>17,684</u>	<u>247,684</u>
	<u>\$845,000</u>	<u>\$203,040</u>	<u>\$1,048,040</u>

NOTE G - COMMITMENT

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2014 is estimated to be approximately \$40,000. In addition, the District has entered into construction agreement for the construction of inceptor of approximately \$2,000,000.

NOTE H - CREDIT RISK

Receivables for property taxes are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

SANITARY AND IMPROVEMENT DISTRICT NO. 97
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE I - RISK MANAGEMENT

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE J - SUBSEQUENT EVENTS

Management evaluated transactions and events occurring subsequent to June 30, 2013 and through December 5, 2013 (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

NOTE K - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

GASB Statement No 65, Items Previously Reported as Assets and Liabilities, was issued in April 2012 and will be effective for the financial statements of the District for the year ending June 30, 2014. This statement provides further guidance on the accounting and reporting of deferred outflows of resources, deferred inflows of resources and certain items previously reported as assets and liabilities. More specifically, the adoption of this statement by the District in fiscal 2014 will result in (1) the write off of bond issue costs of \$60,209 at June 30, 2013 on the government-wide statement of net position with a corresponding decrease in net position.

SUPPLEMENTARY INFORMATION

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL, DEBT SERVICE AND ENTERPRISE FUND

Sanitary and Improvement District No. 97
Sarpy County, Nebraska

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL, DEBT SERVICE AND ENTERPRISE FUND

For The Year Ended June 30, 2013

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes collected	\$ 207,055	\$ 211,791	\$ 4,736
Interest on taxes	-	72	72
State motor vehicle tax allocation	600	400	(200)
Homestead exemption	-	3,179	3,179
Interest on warrants	-	-	-
Other income	-	17,307	17,307
	<u>207,655</u>	<u>232,749</u>	<u>25,094</u>
Total revenues			
EXPENDITURES:			
Accounting and auditing	7,500	5,150	2,350
Collection fees - County Treasurer	4,060	4,098	(38)
Electric service	32,000	19,990	12,010
Engineering fees	15,000	4,089	10,911
Legal fees	16,000	13,952	2,048
Maintenance and repairs	35,000	18,170	16,830
Registered agent fees	2,500	729	1,771
Trustee bond and insurance	22,000	4,831	17,169
Water fund operating expenses	-	-	-
Debt Service:			
Interest charges	-	-	-
	<u>134,060</u>	<u>71,009</u>	<u>63,051</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	73,595	161,740	88,145
OTHER FINANCING SOURCES (USES):			
Proceeds from registered warrants issued	130,000	66,912	(63,088)
Payment of registered warrants	(146,000)	(81,956)	64,044
Payment of long-term debt	-	-	-
Purchase of equipment	-	-	-
Payment of construction costs	-	-	-
	<u>\$ 57,595</u>	<u>146,696</u>	<u>\$ 89,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES			
FUND BALANCE, BEGINNING OF YEAR		<u>3,712</u>	
FUND BALANCE, END OF YEAR		<u>\$ 150,408</u>	

DEBT SERVICE FUND (NON GAAP)			ENTERPRISE FUND (NON GAAP)		
Original And Final Budget	Actual	Variance Favorable (Unfavorable)	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 76,286	\$ 78,030	\$ 1,744	\$105,000	\$122,029	\$17,029
-	27	27	-	-	-
200	148	(52)	-	-	-
-	1,171	1,171	-	-	-
-	42	42	-	-	-
-	-	-	-	-	-
<u>76,486</u>	<u>79,418</u>	<u>2,932</u>	<u>105,000</u>	<u>122,029</u>	<u>17,029</u>
-	-	-	-	-	-
2,496	1,510	986	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
500	3,150	(2,650)	-	-	-
-	-	-	-	-	-
-	-	-	117,900	102,552	15,348
<u>24,585</u>	<u>24,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,581</u>	<u>29,245</u>	<u>(1,664)</u>	<u>117,900</u>	<u>102,552</u>	<u>15,348</u>
48,905	50,173	1,268	(12,900)	19,477	32,377
-	233,854	233,854	-	-	-
-	-	-	-	-	-
(55,000)	(55,000)	-	-	-	-
-	-	-	(25,000)	(2,700)	22,300
-	(240,287)	(240,287)	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (6,095)</u>	(11,260)	<u>\$ (5,165)</u>	<u>\$(37,900)</u>	16,777	<u>\$54,677</u>
	<u>74,957</u>			<u>68,367</u>	
	<u>\$ 63,697</u>			<u>\$ 85,144</u>	

SANITARY AND IMPROVEMENT DISTRICT NO. 97
SARPY COUNTY, NEBRASKA

INFORMATION REQUIRED BY SECTION 31-740
REISSUED REVISED STATUTE OF NEBRASKA, 2008

Year Ended June 30, 2013

Gross income from all sources	<u>\$ 420,600</u>
Gross income from all sources from previous year	<u>\$ 412,592</u>
Amount expended for sewage disposal	<u>\$ 31,767</u>
Amount expended for water mains	<u>\$ None</u>
Gross amount of sewage processed (gallons)	<u>\$11,467,610</u>
Cost per thousand gallons of processing sewage	<u>\$ 2.77</u>
Amount expended for:	
a. Maintenance and repairs	<u>\$ 42,810</u>
b. New equipment	<u>\$ -</u>
c. New construction work	<u>\$ 303,991</u>
d. Property purchased	<u>\$ None</u>
Number of employees	<u>\$ None</u>
Salaries and fees paid employees	<u>\$ None</u>
Total amount of taxes levied upon the property within the District	<u>\$ 297,230</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 97
SARPY COUNTY, NEBRASKA

TRUSTEES AND RELATED BONDS

June 30, 2013

<u>TRUSTEES</u>		<u>BONDS</u>	
<u>NAME</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>AMOUNT</u>
Michael Ostrasky	Chairman	Universal Surety Company	\$ 5,000
David Wennstedt	Clerk	Universal Surety Company	\$20,000
Ruth Evangelisti	Trustee		
David Barry	Trustee		
Aaron Raszler	Trustee		

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
17007 Marcy Street - Suite One
Omaha, Nebraska 68118-3122

THOMAS J. SCHWALLER, CPA
CONRAD NELSON, CPA
JOHN R. PRIBRAMSKY, CPA
DANIEL R. GILG, CPA, CFP

Telephone: (402) 334-9011
(402) 334-9111
FAX: (402) 334-9112

ALDEN B. AWERKAMP

J. DOUGLAS GOODNIGHT
(1936 - 2006)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Sanitary and Improvement District No. 97
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 97 of Sarpy County, Nebraska as of and for the year ended June 30, 2013, and have issued our report thereon dated December 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 97's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 97's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 97's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified the following deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management is aware of this significant deficiency and believes it is economically not feasible to obtain the ability to prepare financial statements.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sanitary and Improvement District No. 97's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sanitary and Improvement District No. 97's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 97's internal control. We consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sanitary and Improvement District No. 97's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 97's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding #1

- The District exceeded budget by \$1,664 in the debt service fund in excess of budget, without amending the budget.

Response

- The District did not anticipate that the paying agent fees were due from the debt service fund when the budget was prepared.

Finding #2

- The District paid \$240,287 in construction costs in excess of budget, without amending the budget.

Response

- The District did not anticipate construction in the current year when the budget was prepared.

Sanitary and Improvement District No. 97's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 97's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees and the Nebraska Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
December 5, 2013